

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

City Stores Company

Annual Report 1973

Highlights

	52 Weeks Ended February 2, 1974	53 Weeks Ended February 3, 1973*
Continuing Operations:		
Sales	\$373,267,000	\$367,408,000
Income or (loss) before federal income taxes	(805,000)	5,078,000
Federal income tax or (credit)	(523,000)	2,227,000
Income or (loss) of continuing operations	(282,000)	2,851,000
(Loss) of discontinued operations, net of tax credit	—	(1,715,000)
Income or (loss) before extraordinary items	(282,000)	1,136,000
Extraordinary items, credit or (charge), net of taxes	349,000	(1,812,000)
Net income or (loss)	67,000	(676,000)
Per share of common stock:		
Income or (loss) of continuing operations	(.09)	.87
(Loss) of discontinued operations	—	(.53)
Income or (loss) before extraordinary items	(.09)	.34
Extraordinary items, credit or (charge)	.11	(.55)
Net income or (loss)	.02	(.21)
FINANCIAL		
Working funds**		
City Stores Company and Retail Subsidiaries	62,205,000	62,338,000
Working funds ratio	2.4	2.3
City Stores Company and Subsidiaries	69,350,000	68,797,000
Working funds ratio	1.7	1.7
Accounts receivable—customers	81,155,000	79,139,000
Proceeds from financing of receivables	(57,746,000)	(50,594,000)
Inventories	58,947,000	59,128,000
Property and equipment—net		
City Stores Company and Retail Subsidiaries	50,925,000	51,360,000
City Stores Company and Subsidiaries	63,593,000	64,497,000
Long term debt		
City Stores Company and Retail Subsidiaries	29,870,000	31,543,000
City Stores Company and Subsidiaries	39,237,000	42,718,000
Ownership		
Common stock equity	82,478,000	82,434,000
Common stock equity per share	25.27	25.26
Number of shares outstanding		
Common stock—at end of year	3,263,469	3,263,469

*Restated.

**Working funds consist of current assets less current liabilities exclusive of deferred tax credits, principally applicable to installment sales.

To our Stockholders:

The fiscal year ended February 2, 1974 was a disappointing and difficult year for your Company. However, despite a combination of a five months' Teamster strike in the Company's largest division, Lit Brothers in Philadelphia, an increase in the LIFO reserve of \$1,660,000 compared to \$140,000 the year before and an increase of \$1,840,000 in the cost of borrowed money, the Company shows a small profit for the year. The LIFO provision is, of course, a non-cash charge to operations which is intended to remove from earnings the effect of inflation upon inventories.

Financial Operations

For fiscal 1973, the Company's operations produced income of \$850,000 before the LIFO provision and taxes, compared to like income the prior year of \$5,200,000. In addition, in 1973 the Company had extraordinary income before tax of \$670,000, arising from the sale of the closed Camden store property compared to an extraordinary charge in 1972 of \$3,440,000 before tax arising principally from the liquidation of the Lansburgh division. After the provision for LIFO and the tax provision, the Company's net income in 1973 was \$67,000 compared to a prior year loss of \$676,000.

Sales for fiscal 1973 were \$373,267,000, an increase of 1.6% over sales in the prior year of \$367,408,000. In addition to the impact of the Lit strike on sales, 1973 was a 52-week year compared to 53 weeks in 1972.

As noted, the year's results were greatly distorted by the strike of the merchandise distribution personnel in the Lit division. The strike involved the fundamental rights of management to operate the business in an efficient and productive manner. It was ultimately settled on a basis which the Company considers satisfactory to it despite the heavy costs and dislocations during the strike period. Since the end of the strike, the cooperation of the unions involved has been excellent.

The balance sheet continues strong with working funds on a consolidated basis

at \$69,350,000 compared to \$68,800,000 last year. At year-end, long term debt was reduced by \$3,500,000 to \$39,200,000, while current bank debt increased from \$43,000,000 to \$50,000,000. The increase in bank debt reflects the increase in the levels of customer accounts receivable and inventory in the continuing operations. Capital expenditures totalled \$4,716,000 compared to \$12,600,000 in 1972.

The disposition of the former Lansburgh department store properties continues. The 130,000 square foot distribution center has been leased to the Federal government, the Washington, D.C. downtown parking lot has been sold and the lease on the Shirlington branch store has been terminated by agreement with the landlord. The downtown main store has been included in the redevelopment plans for the area, but we believe that this will not hinder its disposition. The assignment of the Tysons Corner store lease to Arlen Realty and Development Corp. has been delayed pending final resolution in the courts of the landlord's challenge to the assignment. The Company won in the trial court and the matter is now before the Supreme Court of Virginia. Based upon its present estimate, the Company believes that the reserve covering the costs of closing the Lansburgh operation is adequate.

New Stores

No new department stores were opened in the year, while Franklin Simon opened four regular stores and closed one and opened two more of the small Pavilions. W. & J. Sloane opened a Furniture Clearance Center in Montgomery County, Maryland.

In the coming year the Company will open two new Maison Blanche stores: one, in the Lake Forest Shopping Center, New Orleans, will replace the present 120,000 square foot store in Gentilly Woods with a 170,000 square foot unit; the other will be a 160,000 square foot store in the Bon Marche Shopping Center in Baton Rouge, Louisiana, marking Maison Blanche's first move outside the New Orleans metropolitan area.

The Company will also open, this Fall, a second Compass Furniture Warehouse store in New Orleans. Franklin Simon will add its sixty-ninth store in Eastchester, New York. Under construction for a 1975 opening is a 120,000 square foot store for Loveman's on the East side of Birmingham, Alabama, in the new Century Plaza Shopping Center.

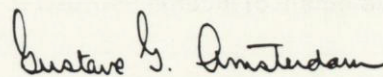
People

We mark, with deep regret, the untimely passing of Mortimer L. Janis, our good friend and President of the Franklin Simon division. Morton Siegenfeld, Vice President and General Merchandise Manager of Lit Brothers, has been promoted to succeed Mr. Janis. We welcome Herbert A. Leeds as President of our Richard's division, replacing Paul S. Walker, resigned. Mr. Leeds is a former President of Gimbel's, Pittsburgh. To Mr. Joseph A. W. Iglehart, who is retiring from our Board of Directors after 23 years of service, we express our deepest appreciation for his wise counsel and guidance.

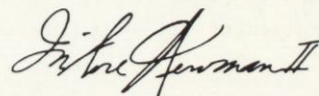
It is difficult to forecast the prospects for the coming year in view of the uncertainties generated by the energy crisis and the slowing of the economy in the face of inflation. We do believe that, with the impact of the Lit strike behind us, we can look forward to improved results for the year.

We thank our loyal employees, customers and suppliers who have helped us through our difficulties of the past year, and ask for their continued support in the current year.

Respectfully submitted,



Gustave G. Amsterdam, Chairman



Isidore Newman, II, President

Statement of Income

	52 Weeks Ended February 2, 1974	53 Weeks Ended February 3, 1973*
Continuing operations		
Sales (including leased departments)	\$373,266,577	\$367,407,994
Deduct		
Cost of goods sold and operating expenses less carrying charges	362,250,409	352,440,128
Depreciation and amortization	5,473,657	5,384,885
Interest and debt expense	6,347,814	4,504,710
	<u>374,071,880</u>	<u>362,329,723</u>
	(805,303)	5,078,271
Federal income tax or (credit)—Note B		
Current	17,000	1,801,000
Deferred	(540,000)	426,000
	<u>(523,000)</u>	<u>2,227,000</u>
Income or (loss) of continuing operations	<u>(282,303)</u>	<u>2,851,271</u>
Discontinued operations—Note C		
(Loss) before federal income tax credit	—	(3,500,271)
Federal income tax (credit)—Note B		
Current	—	(1,760,000)
Deferred	—	(25,000)
	<u>—</u>	<u>(1,785,000)</u>
(Loss) of discontinued operations	<u>—</u>	<u>(1,715,271)</u>
Income or (loss) before extraordinary items	(282,303)	1,136,000
Extraordinary items, credit or (charge)—Notes C and D	349,638	(1,811,778)
Net income or (loss)	<u>\$ 67,335</u>	<u>(\$ 675,778)</u>
Per share of common stock**		
Income or (loss) of continuing operations	(\$.09)	\$.87
(Loss) of discontinued operations	—	(.53)
Income or (loss) before extraordinary items	(.09)	.34
Extraordinary items, credit or (charge)	.11	(.55)
Net income or (loss)	<u>\$.02</u>	<u>(\$.21)</u>

* Restated—See Note E.

** Based upon weighted average number of shares outstanding.

Statement of Income Reinvested in Business

Balance at beginning of year, as restated—Note E	\$ 44,229,737	\$ 44,905,515
Net income or (loss)	<u>67,335</u>	<u>(675,778)</u>
Balance at end of year—Note I	<u>\$ 44,297,072</u>	<u>\$ 44,229,737</u>

See notes to financial statements.

Statement of Financial Condition

	February 2, 1974	February 3, 1973*
Assets		
CURRENT ASSETS		
Cash	\$ 11,204,478	\$ 9,987,071
Accounts receivable—Note F	27,020,538	32,106,013
Merchandise inventories—Note G	58,946,961	59,128,053
Supplies and prepaid expenses	3,781,421	3,680,780
Construction in progress for which commitment for long term financing has been obtained (with respect to a property to be held by a real estate subsidiary)	3,600,000	—
Property and equipment contracted for sale—Note C	900,000	5,650,171
TOTAL CURRENT ASSETS	<u>105,453,398</u>	<u>110,552,088</u>
INVESTMENTS AND OTHER ASSETS		
Investments and advances—Note A		
City Stores Credit Corporation	7,221,221	7,279,890
Real estate subsidiaries	4,018,909	3,970,067
Property and equipment held for sale—Notes C and H	4,266,160	5,198,486
Sundry investments and other items—Note C	3,270,158	3,567,686
	<u>18,776,448</u>	<u>20,016,129</u>
PROPERTY AND EQUIPMENT—AT COST—Note H	93,157,089	91,713,180
Less accumulated depreciation and amortization	42,232,599	40,353,510
	<u>50,924,490</u>	<u>51,359,670</u>
	<u>\$175,154,336</u>	<u>\$181,927,887</u>
Liabilities		
CURRENT LIABILITIES		
Accounts payable, accrued and sundry liabilities—Note C	\$ 40,529,066	\$ 46,618,474
Current portion of long term debt	2,712,597	1,483,263
Federal income taxes—Note B	6,500	111,576
Deferred tax credits, principally applicable to installment sales—Notes A and B	10,280,887	10,265,254
TOTAL CURRENT LIABILITIES	<u>53,529,050</u>	<u>58,478,567</u>
LONG TERM DEBT—Note I	29,869,532	31,542,785
RESERVES—Notes C and J	6,881,473	7,197,224
DEFERRED TAX CREDITS—Notes A and B	2,030,958	1,888,646
DEFERRED CREDIT	365,385	386,791
OWNERSHIP—Notes E, I and K		
Preferred Stock—\$100 par value—Authorized 29,036 shares—none issued		
Common Stock—\$5 par value—Authorized		
6,000,000 shares; outstanding 3,263,469 shares for both years		
(after deducting 12,423 shares in treasury)	16,317,345	16,317,345
Other capital	21,863,521	21,886,792
Income reinvested in business	44,297,072	44,229,737
	<u>82,477,938</u>	<u>82,433,874</u>
Commitments, leases, other comments and litigation—Notes C, L, M and N		
	<u>\$175,154,336</u>	<u>\$181,927,887</u>

*Restated—see Notes C, E and H.

See notes to financial statements.

Statement of Financial Condition

	February 2, 1974	February 3, 1973*
Assets		
CURRENT ASSETS		
Cash	\$ 11,691,703	\$ 10,515,948
Accounts receivable—Note F	84,776,635	82,710,398
Merchandise inventories—Note G	58,946,961	59,128,053
Supplies and prepaid expenses	3,810,987	3,709,116
Construction in progress for which commitment for long term financing has been obtained (with respect to a property to be held by a real estate subsidiary)	3,600,000	—
Property and equipment contracted for sale—Note C	900,000	5,650,171
TOTAL CURRENT ASSETS	163,726,286	161,713,686
INVESTMENTS AND OTHER ASSETS		
Property and equipment held for sale—Notes C and H	5,139,643	8,089,937
Sundry Investments and other items—Note C	3,346,375	3,650,931
	8,486,018	11,740,868
PROPERTY AND EQUIPMENT—AT COST—Note H	110,916,127	109,869,215
Less accumulated depreciation and amortization	47,322,672	45,372,646
	63,593,455	64,496,569
	<u>\$235,805,759</u>	<u>\$237,951,123</u>
Liabilities		
CURRENT LIABILITIES		
Notes payable to banks—City Stores Credit Corporation	\$ 50,000,000	\$ 43,000,000
Accounts payable, accrued and sundry liabilities—Note C	41,269,531	47,742,514
Current portion of long term debt	3,100,669	2,062,580
Federal income taxes—Note B	6,500	111,576
Deferred tax credits, principally applicable to installment sales—Notes A and B	10,280,887	10,265,254
TOTAL CURRENT LIABILITIES	104,657,587	103,181,924
LONG TERM DEBT—Note I		
Parent company and retail subsidiaries	29,869,532	31,542,785
Real estate subsidiaries	9,367,129	11,175,544
	39,236,661	42,718,329
RESERVES—Notes C and J	6,881,473	7,197,224
DEFERRED TAX CREDITS—Notes A and B	2,186,715	2,032,981
DEFERRED CREDIT	365,385	386,791
OWNERSHIP—Notes E, I and K		
Preferred Stock—\$100 par value—Authorized 29,036 shares—none issued		
Common Stock—\$5 par value—Authorized 6,000,000 shares; outstanding 3,263,469 shares for both years (after deducting 12,423 shares in treasury)	16,317,345	16,317,345
Other capital	21,863,521	21,886,792
Income reinvested in business	44,297,072	44,229,737
	82,477,938	82,433,874
Commitments, leases, other comments and litigation—Notes C, L, M and N	\$235,805,759	\$237,951,123

*Restated—see Notes A, C, E and H.

See notes to financial statements.

Statement of Changes in Financial Position

(Expressed in even thousands of dollars)

	City Stores Company and Retail Subsidiaries		City Stores Company and Subsidiaries	
	52 Weeks Ended February 2, 1974	53 Weeks Ended February 3, 1973*	52 Weeks Ended February 2, 1974	53 Weeks Ended February 3, 1973*
Funds Provided:				
From continuing operations:				
Income or (loss)	(\$ 282,000)	\$ 2,851,000	(\$ 282,000)	\$ 2,851,000
Charges not requiring current outlay of working capital:				
Depreciation and amortization	5,012,000	4,898,000	5,474,000	5,385,000
Additions to pension reserve and other non-current items	596,000	469,000	603,000	342,000
Total funds provided from continuing operations	5,326,000	8,218,000	5,795,000	8,578,000
Funds applied to discontinued operations, net of charges not requiring current outlay of working capital	—	(1,229,000)	—	(1,114,000)
Total funds provided from operations	5,326,000	6,989,000	5,795,000	7,464,000
Disposals of property and equipment	10,000	322,000	145,000	349,000
Disposals of property and equipment held for sale	3,130,000	—	3,130,000	—
Property and equipment contracted for sale	—	5,650,000	—	5,650,000
Proceeds from long term debt	—	3,600,000	—	3,600,000
Long term debt transferred from real estate subsidiary ..	1,461,000	638,000	—	—
Decrease in investments and advances to unconsolidated subsidiaries	10,000	1,820,000	—	—
	9,937,000	19,019,000	9,070,000	17,063,000
Funds Applied:				
Extraordinary items, (credit) or charge	(349,000)	1,812,000	(349,000)	1,812,000
Add: items not affecting working capital	672,000	1,358,000	672,000	1,358,000
Total funds applied to extraordinary items	323,000	3,170,000	323,000	3,170,000
Additions to property and equipment	4,586,000	9,868,000	4,716,000	12,658,000
Additions to property and equipment held for sale	178,000	—	178,000	—
Property and equipment held for sale—transferred from real estate subsidiary	2,018,000	6,262,000	—	—
Retirement of long term debt	3,134,000	1,609,000	3,481,000	3,003,000
Other, net	(153,000)	203,000	(165,000)	184,000
	10,086,000	21,112,000	8,533,000	19,015,000
Increase or (decrease) in working capital	(149,000)	(2,093,000)	537,000	(1,952,000)
Increase or (decrease) in current deferred tax credits, principally applicable to installment sales—Notes A and B ..	16,000	(1,602,000)	16,000	(1,602,000)
Increase or (decrease) in working funds	(\$ 133,000)	(\$ 3,695,000)	\$ 553,000	(\$ 3,554,000)
Changes in Working Capital and Working Funds:				
Increase or (decrease) in current assets:				
Cash	\$ 1,217,000	\$ 885,000	\$1,176,000	\$ 883,000
Accounts receivable	(5,085,000)	(6,910,000)	2,066,000	1,654,000
Merchandise inventories	(181,000)	8,065,000	(181,000)	8,065,000
Supplies and prepaid expenses	101,000	29,000	102,000	14,000
Construction in progress for which commitment for long term financing has been obtained (with respect to a property to be held by a real estate subsidiary)	3,600,000	—	3,600,000	—
Property and equipment contracted for sale	(4,750,000)	5,650,000	(4,750,000)	5,650,000
	(5,098,000)	7,719,000	2,013,000	16,266,000
Less—increase or (decrease) in current liabilities:				
Notes payable to banks	—	—	7,000,000	8,000,000
Accounts payable, accrued and sundry liabilities	(6,089,000)	11,113,000	(6,473,000)	11,865,000
Current portion of long term debt	1,229,000	219,000	1,038,000	(127,000)
Federal income taxes	(105,000)	82,000	(105,000)	82,000
Deferred tax credits, principally applicable to installment sales	16,000	(1,602,000)	16,000	(1,602,000)
	(4,949,000)	9,812,000	1,476,000	18,218,000
Increase or (decrease) in working capital	(149,000)	(2,093,000)	537,000	(1,952,000)
Increase or (decrease) in current deferred tax credits, principally applicable to installment sales—Notes A and B ..	16,000	(1,602,000)	16,000	(1,602,000)
Increase or (decrease) in working funds	(\$ 133,000)	(\$ 3,695,000)	\$ 553,000	(\$ 3,554,000)

*Restated—see Notes A, C, E and H.

See notes to financial statements.

Statement of Financial Condition—Note A

	February 2, 1974	February 3, 1973
Assets		
Cash	\$ 70,772	\$ 48,433
Customer receivables—assigned by City Stores Company and subsidiaries	64,162,728	56,215,045
Accrued interest receivable	22,481	14,646
	<u>\$64,255,981</u>	<u>\$56,278,124</u>
Liabilities		
Notes payable to banks	\$50,000,000	\$43,000,000
Accrued expenses	596,006	362,083
Due to City Stores Company	—	49,203
Amount (reserve) withheld pending collection of customer receivables	6,416,273	5,621,505
Ownership		
Common Stock—\$1,000 par value—Authorized 5,000 shares; outstanding 3,750 shares	3,750,000	3,750,000
Income reinvested in business	<u>3,493,702</u>	<u>3,495,333</u>
	7,243,702	7,245,333
Amount (reserve) withheld pending collection of customer receivables and ownership* \$13,659,975 and \$12,866,838 respectively.	<u>\$64,255,981</u>	<u>\$56,278,124</u>

*In accordance with an agreement between City Stores Company and the lending banks, the notes payable to banks may be four times the sum of: (a) Subordinated debt, (b) Amount (reserve) withheld pending collection of customer receivables and (c) Ownership.

Statement of Income—Note A

	52 Weeks Ended February 2, 1974	53 Weeks Ended February 3, 1973
Interest Income—from City Stores Company and subsidiaries	\$ 5,246,315	\$ 3,011,735
Interest expense	3,495,323	2,005,601
Other expenses	23,623	19,837
	<u>3,518,946</u>	<u>2,025,438</u>
Income before federal income taxes	1,727,369	986,297
Federal income taxes	829,000	473,500
Net income	<u>\$ 898,369</u>	<u>\$ 512,797</u>

Statement of Income Reinvested in Business—Note A

Balance at beginning of year	\$ 3,495,333	\$ 2,982,536
Net income	898,369	512,797
Dividend paid to City Stores Company	(900,000)	—
Balance at end of year	<u>\$ 3,493,702</u>	<u>\$ 3,495,333</u>

See notes to financial statements.

Statement of Changes in Financial Position—Note A**Funds Provided:**

	52 Weeks Ended February 2, 1974	53 Weeks Ended February 3, 1973
Net income	\$ 898,369	\$ 512,797
Increase in notes payable to banks	7,000,000	8,000,000
Increase in accrued expenses	233,923	183,985
Increase in amount (reserve) withheld pending collection of customer receivables	794,768	952,610
Decrease in accrued interest receivable	—	622
(Increase) or decrease in cash	(22,339)	4,545
	<u>\$ 8,904,721</u>	<u>\$ 9,654,559</u>

Funds Applied:

Increase in customer receivables—assigned by City Stores Company and subsidiaries	\$ 7,947,683	\$ 9,526,092
Increase in accrued interest receivable	7,835	—
Dividend paid to City Stores Company	900,000	—
Decrease in amount due to City Stores Company	49,203	128,467
	<u>\$ 8,904,721</u>	<u>\$ 9,654,559</u>

Real Estate Subsidiaries

Combined Summary of Net Assets—Note A

	February 2, 1974	February 3, 1973*
Land, buildings, leaseholds, equipment, at cost, less accumulated depreciation	\$12,668,965	\$13,136,899
Mortgages payable—current portions \$388,072 and \$420,232 respectively	9,755,201	10,175,433
	<u>2,913,764</u>	<u>2,961,466</u>
Other assets—net (net of a mortgage of \$1,579,248 last year on property and equipment held for sale)	1,105,145	1,008,601
Net assets consisting of intercompany accounts and ownership	<u>\$ 4,018,909</u>	<u>\$ 3,970,067</u>

*Restated—see Notes C and H.

See notes to financial statements.

Notes to Financial Statements

A—SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are as follows:

PRINCIPLES OF CONSOLIDATION — The accompanying consolidated Statement of Financial Condition of City Stores Company and subsidiaries includes all active subsidiaries. The consolidated Statement of Financial Condition of City Stores Company and Retail Subsidiaries includes all active subsidiaries other than real estate subsidiaries and City Stores Credit Corporation. The investment in subsidiaries not consolidated in such financial statement is carried at an amount equal to their net assets. The accounts of City Stores Credit Corporation and all active real estate subsidiaries are included in the consolidated statement of income. Financial statements of the credit company and a summary of the net assets of the real estate subsidiaries are also presented.

This year, in order to conform to prevalent accounting practices, the accounts of City Stores Credit Corporation have been included in the Statement of Financial Condition of City Stores Company and subsidiaries. Last year's Statement of Financial Condition, in which the investment in City Stores Credit Corporation was carried at an amount equal to its net assets, has been restated to conform to this year's presentation. This reporting change had no effect on net income or (loss) in either year.

Material intercompany items have been eliminated in the preparation of these statements.

ACCOUNTS RECEIVABLE — Accounts receivable installments maturing in more than one year have been included in current assets in accordance with trade practice; it is not practicable to determine the amount of such installments.

MERCHANDISE INVENTORIES — Merchandise inventories are determined principally under the retail method and are stated partly at LIFO cost which is substantially lower than market (see Note G) and partly at the lower of FIFO cost or market.

PROPERTY AND EQUIPMENT — Expenditures for renewals and betterments representing improvements to property and equipment are capitalized. Expenditures for maintenance and repairs are charged to income as incurred.

At the time store fixtures and equipment become fully depreciated or amortized, or at the time properties are sold or otherwise disposed of, it is the policy generally to eliminate from the accounts the cost thereof and the related accumu-

lated depreciation or amortization. Any gain or loss on disposal is usually credited or charged to income.

Depreciation and amortization for financial accounting purposes have been computed on a straight-line basis principally over the estimated useful lives of the assets or the terms of leases, if shorter.

FEDERAL INCOME TAXES — The Company and its subsidiaries file consolidated federal income tax returns; subsidiaries are charged or credited an amount equal to the tax that would have been applicable on a separate return basis.

The Company records income from installment sales for financial accounting purposes at the time sales are made and for tax purposes on the basis of cash collections and deducts depreciation for tax purposes in different time periods from those in which it is recorded for financial accounting purposes. Accumulated tax effects resulting from recognizing these and other timing differences are shown in the accompanying statements of financial condition as deferred tax credits. The investment tax credit is applied as a reduction of the provision for income taxes in the year the related assets are placed in service.

PENSION PLANS — Under the Company's pension plans, which are unfunded, annual amounts are provided, on the accrual basis, based on actuarial estimates of current service costs, amortization of prior service costs over thirty years and interest.

B—FEDERAL INCOME TAXES

This year's federal income tax benefit has been increased by an investment tax credit of approximately \$184,000. This benefit has been substantially applied as a reduction to the account deferred tax credits, principally applicable to installment sales.

Last year's provision for federal income taxes on continuing operations has been reduced by an investment tax credit of approximately \$221,000 and the tax credit of discontinued operations has been increased by an investment tax credit of approximately \$109,000. The tax benefit on the extraordinary items has been reduced by provision for recapture of investment tax credits of approximately \$172,000. The net tax benefits credited to income have been substantially applied as a reduction to the account deferred tax credits, principally applicable to installment sales.

The difference between the tax provisions as shown and those calculated at statutory rates is primarily due to the investment tax credit.

This year the Company has substantial timing differences, principally relating to the discontinuance of the Lansburgh's division, which for tax purposes, result in a net operating loss carryforward of approximately \$6,800,000. Additionally, there are available investment tax credit carryforwards of approximately \$700,000. The net operating loss carryforward will expire in the year ending January 1979, and the investment tax credit carryforwards will expire at various dates from January 1979 through January 1981. Such carryforwards can be availed of to the extent of subsequent taxable income and will, when utilized, reduce the amount of tax that would otherwise be payable and increase the deferred tax credit accounts.

The Internal Revenue Service has proposed additional federal income tax assessments for the years 1959 through 1968, relating principally to the deferral of gross profit on installment sales. The Company has protested these assessments. If a deficiency of taxes is finally determined, it will be substantially covered by amounts provided in the financial statements.

C—DISCONTINUED OPERATIONS

In January 1973, the Company's Board of Directors authorized the adoption of a program to close the Lansburgh's division. Accordingly, on March 30, 1973 the Company finalized plans to discontinue Lansburgh's operations and entered into agreements with Arlen Realty & Development Corp. and others, subject to certain contingencies, to assign leases and to sell property and equipment of certain stores of this division to Arlen. As at February 3, 1973 the estimated net losses and costs expected to be incurred in connection with the closing of this division amounting to \$2,005,344, net of federal income tax credit of \$1,814,000, were charged in the statement of income as an extraordinary item; the proceeds to be received from the sales of property and equipment were shown as a current asset (\$5,650,171), and the reserves provided were included in accounts payable, accrued and sundry liabilities (\$5,073,728) and reserves (\$181,277). The remaining property and equipment that the Company was planning to sell was shown in investments and other assets (\$5,845,431).

During the year ended February 2, 1974 the division was closed and the closing of the agreement with Arlen was completed except with respect to one store because of litigation brought by the landlord to declare that the assignment of the lease for said store without his consent was invalid. A lower court has found that the assignment was valid but the landlord has appealed from such ruling. In addition, one property was contracted to be sold and another leased for a term of five years.

Although the costs and losses incurred in closing the division exceeded the estimates provided at February 3, 1973, management is of the opinion, based upon the information

now available, that such excess will be recovered upon the final disposition of the remaining property and equipment held for sale and accordingly the extraordinary charge substantially reflects the net cost of discontinuing the division's operations.

Last year's Statement of Financial Condition which had been prepared based on certain estimates has been restated to reflect the effect of this year's events on such estimates. Such restatement (to the amounts set forth above) had the following effects on the amounts previously reported: property and equipment contracted for sale was decreased by \$1,844,150; investments and other assets was increased by \$3,254,542; accounts payable, accrued and sundry liabilities was increased by \$1,387,005 and reserves was increased by \$23,387.

The operations of this division for last year, including sales of \$28,578,030 and depreciation and amortization of \$529,560, are shown as discontinued operations in the statement of income.

D—EXTRAORDINARY ITEMS

Extraordinary items, credit or (charge), consist of the following:

	<u>This Year</u>	<u>Last Year</u>
Reversal of portion of reserve no longer required, after federal income tax of \$323,000—see below	\$349,638	—
Loss from discontinuance of operations of a division, after federal income tax credit of \$1,814,000 .	—	(\$2,005,344)
Gain on sale of fixed assets after federal income tax of \$179,000 .	—	193,566
	<u>\$349,638</u>	<u>(\$1,811,778)</u>

This year's reversal of a portion of the reserve for real estate dispositions, which was provided in prior years, was applicable to a closed store which was sold in November 1973.

E—INCOME REINVESTED IN BUSINESS

The Federal District Court, on October 6, 1971, in a suit brought by the U.S. Department of Labor involving the Company's Loveman's branch store in Montgomery, Alabama, found that women sales personnel selling women's and children's and related items of merchandise are entitled to the same rate of compensation as men selling men's clothing in said store. The ruling covered the period from October 1967 to the present and enjoined the Company from engaging in such practices in said store in the future and ordered the payment of back wages under a certain formula for the women involved. The payment made in January, 1974 under such order and applied retroactively to the years affected has resulted in a decrease in income reinvested in business as at February 3, 1973 and January 29, 1972 of \$104,103 and \$90,173, respectively.

F—ACCOUNTS RECEIVABLE

The accounts receivable are summarized as follows:

	This Year	Last Year
Accounts Receivable:		
Customers—net of allowances of \$2,108,143 and \$2,035,401 respectively	\$81,154,765	\$79,138,761
Current portion of notes receivable	34,064	558,345
Other — net of allowances of \$202,065 and \$143,157 respectively	3,587,806	3,013,292
City Stores Company and subsidiaries	84,776,635	82,710,398
Less:		
Customers accounts receivable assigned to City Stores Credit Corporation—net of equity of \$6,416,273 and \$5,621,505 respectively ...	57,746,455	50,593,540
Real Estate Subsidiaries—other receivables	9,642	10,845
City Stores Company and Retail Subsidiaries	<u>\$27,020,538</u>	<u>\$32,106,013</u>

Accounts receivable from customers include installment accounts of approximately \$78,300,000 and \$76,100,000 respectively.

The Company has an agreement with City Stores Credit Corporation under which customers accounts receivable are assigned to the credit company and the credit company remits amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances representing the Company's equity.

G—MERCHANDISE INVENTORIES

Merchandise inventories are summarized as follows:

	This Year	Last Year
At LIFO cost	\$29,625,098	\$34,430,155
At lower of FIFO cost or market ...	30,017,147	25,502,757
	59,642,245	59,932,912
Less allowance for discounts applicable to LIFO inventories	695,284	804,859
	<u>\$58,946,961</u>	<u>\$59,128,053</u>

The inventories priced at LIFO cost would be approximately \$9,130,000 more this year and \$7,470,000 more last year (excluding \$530,000 applicable to the Lansburgh's division) if they had been priced at the lower of FIFO cost or market.

H—PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classifications, as follows:

	This Year	Last Year
City Stores Company and Retail Subsidiaries:		
Land	\$ 7,201,283	\$ 6,884,471
Buildings and building improvements	20,330,416	16,039,712
Leasehold costs and improvements	27,890,199	26,953,588
Store fixtures and equipment ..	36,537,987	37,471,380
Improvements in progress	1,197,204	4,364,029
Total	93,157,089	91,713,180
Less accumulated depreciation and amortization ..	42,232,599	40,353,510
	<u>\$ 50,924,490</u>	<u>\$ 51,359,670</u>
City Stores Company and subsidiaries:		
Land	\$ 12,298,625	\$ 12,108,536
Buildings and building improvements	31,721,614	27,312,472
Leasehold costs and improvements	28,311,875	27,364,463
Store fixtures and equipment ..	37,376,809	38,701,233
Improvements in progress	1,207,204	4,382,511
Total	110,916,127	109,869,215
Less accumulated depreciation and amortization ..	47,322,672	45,372,646
	<u>\$ 63,593,455</u>	<u>\$ 64,496,569</u>

Last year's amounts have been restated to reclassify non-operating property and equipment to investments and other assets.

I—LONG TERM DEBT

Long term debt is summarized as follows:

	This Year	Last Year
6½% notes to insurance company payable in installments to 1987	\$21,800,000	\$22,600,000
Mortgages, payable at interest rates ranging from 4½% to 9% —due in varying annual amounts to 2003	7,485,032	8,181,785
Notes to insurance companies and others, principally at interest rates of 5% and 6%, payable in installments to 1978	584,500	761,000
City Stores Company and Retail Subsidiaries	29,869,532	31,542,785
Mortgages, payable (by real estate subsidiaries) principally at interest rates ranging from 5% to 9½%—due in varying annual amounts to 1991	9,367,129	11,175,544
City Stores Company and subsidiaries	<u>\$39,236,661</u>	<u>\$42,718,329</u>

The approximate total maturities and/or installments payable of long term debt during the five fiscal years commencing February 3, 1974 are as follows:

Fiscal year ending in	City Stores Company and Retail Subsidiaries	City Stores Company and Subsidiaries
1975	\$2,713,000	\$3,101,000
1976	1,149,000	1,495,000
1977	5,761,000	6,117,000
1978	1,964,000	2,273,000
1979	1,850,000	2,147,000

Property and equipment in the net amount of approximately \$22,000,000 is subject to mortgages. Underlying loan agreements with respect to notes payable provide, among other things, for (1) the maintenance of minimum consolidated working capital, (2) restrictions on the purchase, redemption or other acquisition of the Company's common stock, and (3) restrictions of the payment of cash dividends on the Company's common stock (approximately \$300,000 is available for the payment of dividends as at February 2, 1974).

J—RESERVES

Reserves, excluding current portions, have been provided for the following:

	This Year	Last Year
Pensions	\$4,677,877	\$4,065,634
Deferred compensation	1,726,727	1,758,362
Termination of store operations and real estate dispositions	476,869	1,373,228
	<u>\$6,881,473</u>	<u>\$7,197,224</u>

K—STOCK OPTIONS AND OTHER CAPITAL

Under the Company's 1969 Stock Option Plan, options may be granted to selected key executives to purchase a maximum of 100,000 shares of the Company's common stock at the market price at date of grant. Options are exercisable over a five-year period. Options to purchase 54,400 shares and 69,600 shares were available for grant as at February 2, 1974 and February 3, 1973, respectively.

Transactions under the above plan and the 1960 Stock Option Plan under which no additional options may be granted are summarized as follows:

	1969 Plan		1960 Plan	
	This Year	Last Year	This Year	Last Year
Shares under option—beginning of year	30,400	18,900	14,300	15,900
Options granted at \$4.00 to \$5.125 per share this year and at \$6.00 to \$9.25 per share last year	17,000	11,500	—	—
Options cancelled	(1,800)	—	(7,250)	—
Options expired	—	—	(4,800)	(1,600)
Shares under option—end of year at \$4.00 to \$19.00 per share	<u>45,600</u>	<u>30,400</u>	<u>2,250</u>	<u>14,300</u>

At February 2, 1974, options for 18,960 shares were exercisable and no options were exercised in either year.

Other capital has been charged \$23,271 this year and \$15,000 last year, representing the cost of registering certain shares of the Company's common stock.

L—LEASES

	This Year	Last Year
Total rental expense for real and personal property amounted to:		
Non-cancellable leases:		
Financing leases, as defined by the Securities and Exchange Commission (including equipment rental of \$357,263 and \$385,133, respectively)	\$ 2,932,540	\$ 2,814,464
Non-financing leases	9,198,388	9,718,603
	<u>12,130,928</u>	<u>12,533,067</u>
Other leases (including equipment rental of \$304,319 and \$41,994, respectively)	654,601	353,986
	<u>12,785,529</u>	<u>12,887,053</u>
Sublease income, principally applicable to financing leases	(1,382,101)	(1,279,626)
Total Rental Expense ..	<u>\$11,403,428</u>	<u>\$11,607,427</u>

Total rental expense includes percentage rental payments on real property of \$745,346 and \$621,121, respectively.

The real property leases are primarily for retail stores and for the most part are renewable. Certain leases provide for payments, in addition to percentage rentals, of real estate taxes and insurance.

The future minimum rental commitments for all non-cancellable leases as at February 2, 1974 are as follows:

(in thousands)					
Year Ending January	Net Total	Financing		Non-financing (Real Property)	Sublease Income (Real Property)
		Real Property	Personal Property		
1975	\$ 10,472	\$ 2,537	\$ 367	\$ 8,474	(\$ 906)
1976	10,267	2,429	277	8,369	(808)
1977	10,048	2,429	198	8,145	(724)
1978	9,428	2,430	139	7,532	(673)
1979	8,868	2,435	24	7,076	(667)
1980-84 ..	39,108	12,045	29	28,552	(1,518)
1985-89 ..	28,907	10,599	—	20,266	(1,958)
1990-94 ..	18,025	5,988	—	12,037	—
After 1994 ..	14,068	4,729	—	9,339	—
	<u>\$149,191</u>	<u>\$45,621</u>	<u>\$1,034</u>	<u>\$109,790</u>	<u>(\$7,254)</u>

The present values of the net minimum rental commitments for all financing leases are:

(in thousands)	This Year's Interest Rates		This Year	Last Year
	Average	Range		
Real Property (net of the present value of minimum sublease income of \$4,745 and \$4,830, respectively)	7.0%	4.5%-9.0%	\$16,800	\$17,135
Personal Property	7.3%	6.3%-9.0%	980	995
			<u>\$17,780</u>	<u>\$18,130</u>

The present values were computed after reducing minimum rental commitments by estimated amounts applicable to payment of real estate tax, insurance, maintenance and other amounts.

If all financing leases had been capitalized (net of financing subleases) and the related assets amortized on a straight-line basis and interest cost was accrued on the basis of the outstanding lease liability, net income would have been \$140,000 less this year and the net loss would have been increased by \$120,000 last year.

This computation includes:

	(in thousands)	
	This Year	Last Year
Assumed amortization	\$ 920	\$ 795
Assumed interest	\$1,245	\$1,160

M—COMMITMENTS AND OTHER COMMENTS

The Company's non-contributory pension plans (as amended) cover, generally, employees with fifteen years of service who are not participants in any other plan to which the Company contributes. The plans provide for retirement, generally at age 65, with no vesting of benefits. Although the Company does not presently contemplate funding these plans, it may do so in the future. The Company may amend, modify or terminate the plans in whole or in part at any time.

The amounts charged to income for pensions were approximately \$1,650,000 this year and \$1,750,000 last year.

Under the plans there is no vesting, but if there were vesting, the actuarially computed value of vested benefits for retired employees and those who are eligible for retirement, as this term is defined in Opinion 8 of the Accounting Princi-

ples Board of the American Institute of Certified Public Accountants, would amount to approximately \$11,700,000 as at February 2, 1974.

Costs and expenses of continuing operations include the following:

	This Year	Last Year
Cost of goods sold, buying and occupancy expenses	\$269,360,438	\$262,580,850
Selling, general and administrative expenses (less carrying charges) and provision for doubtful accounts—customers	\$ 92,889,971	\$ 89,859,278

Selling, general and administrative expenses are net of carrying charges on customer receivables. The cost of administering the retail credit program, including bad debts incurred and interest (computed at the average effective rate for short term borrowings applied to the average total customer account receivables less deferred income taxes resulting from installment sales), exceeded the carrying charges on customer receivables as follows:

	This Year	Last Year
Cost of credit program	\$12,703,000	\$10,442,000
Carrying charge income	8,870,000	8,833,000
	<u>\$ 3,833,000</u>	<u>\$ 1,609,000</u>

The above data do not reflect other indirect costs related to the credit program or any allocation for corporate overhead expense.

N—LITIGATION

On December 19, 1973 in a proceeding before the Suffolk Superior Court in Massachusetts, the Company was granted an award of \$2,850,000 for the value of a former store property in Boston, Massachusetts, which had been taken by condemnation by the Boston Redevelopment Authority. This represented an increase of \$1,154,000 over the interim payments already received of \$1,696,000. The interim payments were accounted for in prior years as part of an extraordinary charge on the closing of the store. The award does not include interest accrued thereon which is estimated to be in excess of \$500,000. In addition, there are counsel fees and certain other disbursements to be paid. The Authority has filed a petition for appeal from said award.

In the opinion of the Company, claims and litigation asserted against the Company would have no material adverse effect on the accompanying financial statements.

Accountants' Report

S. D. LEIDESDORF & CO.
Certified Public Accountants
New York, N. Y.

To the Board of Directors
City Stores Company
New York, N. Y.

We have examined the financial statements of City Stores Company ("Company") and subsidiaries (see Note A) as follows:

1. Statements of Financial Condition as at February 2, 1974 and February 3, 1973: Company and subsidiaries; Company and Retail Subsidiaries; and City Stores Credit Corporation,
2. Statements of Income and of Income Reinvested in Business for the 52 weeks ended February 2, 1974 and the 53 weeks ended February 3, 1973 (fiscal years): Company and subsidiaries; and City Stores Credit Corporation,
3. Statements of Changes in Financial Position for the fiscal years ended February 2, 1974 and February 3, 1973: Company and subsidiaries; Company and Retail Subsidiaries; and City Stores Credit Corporation, and
4. Combined Summaries of Net Assets of real estate subsidiaries as at February 2, 1974 and February 3, 1973.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly (1) the financial position of the Company and subsidiaries, of the Company and Retail Subsidiaries and of City Stores Credit Corporation at February 2, 1974 and February 3, 1973 and changes in their financial position for the fiscal years then ended, and the results of operations of the Company and subsidiaries and of City Stores Credit Corporation for the fiscal years then ended and (2) the combined summary of net assets of real estate subsidiaries at February 2, 1974 and February 3, 1973, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the presentation of City Stores Credit Corporation in the financial statements of City Stores Company and subsidiaries as described in Note A to the financial statements.

S. D. Leidesdorf & Co.

New York, N. Y.
April 5, 1974

City Stores Company and Subsidiaries
Historical Comparison

	February 2, 1974	February 3, 1973*†	January 29, 1972*	January 30, 1971*	January 31, 1970*
Continuing Operations					
Sales	\$373,267,000	\$367,408,000	\$346,911,000	\$335,502,000	\$326,417,000
Index of sales	114	113	106	103	100
Income or (loss) before federal income taxes	(805,000)	5,078,000	2,178,000	1,665,000	8,606,000
Federal income tax or (credit)	(523,000)	2,227,000	782,000	480,000	4,139,000
Income or (loss) of continuing operations ..	(282,000)	2,851,000	1,396,000	1,185,000	4,467,000
(Loss) of discontinued operations, net of tax credit	—	(1,715,000)	(1,048,000)	(1,764,000)	(891,000)
Income or (loss) before extraordinary items ..	(282,000)	1,136,000	348,000	(579,000)	3,576,000
Extraordinary items, credit or (charge), net of taxes	349,000	(1,812,000)	394,000	(344,000)	(852,000)
Net income or (loss)	67,000	(676,000)	742,000	(923,000)	2,724,000
Per share of common stock:					
Income or (loss) of continuing operations ..	(.09)	.87	.43	.37	1.42
(Loss) of discontinued operations	—	(.53)	(.32)	(.54)	(.28)
Income or (loss) before extraordinary items	(.09)	.34	.11	(.17)	1.14
Extraordinary items, credit or (charge)	.11	(.55)	.12	(.11)	(.27)
Net income or (loss)	.02	(.21)	.23	(.28)	.87
Dividends					
Common stock	—	—	—	326,351	1,232,784
Per share	—	—	—	.10	.40
Financial					
Working funds**					
City Stores Company and Retail Subsidiaries	62,205,000	62,338,000	66,034,000	65,674,000	69,820,000
Working funds ratio	2.4	2.4	2.8	2.8	3.0
City Stores Company and Subsidiaries	69,350,000	68,797,000	72,351,000	70,275,000	75,156,000
Working funds ratio	1.7	1.7	2.0	1.9	2.1
Accounts receivable—customers	81,155,000	79,139,000	76,309,000	77,994,000	79,793,000
Proceeds from financing of receivables ...	(57,746,000)	(50,594,000)	(42,020,000)	(45,441,000)	(39,657,000)
Inventories	58,947,000	59,128,000	51,063,000	49,519,000	47,408,000
Property and equipment—net					
City Stores Company and Retail Subsidiaries	50,925,000	51,360,000	51,381,000	46,625,000	42,030,000
City Stores Company and Subsidiaries	63,593,000	64,497,000	71,512,000	67,186,000	60,105,000
Long term debt					
City Stores Company and Retail Subsidiaries	29,870,000	31,543,000	28,914,000	26,378,000	27,630,000
City Stores Company and Subsidiaries	39,237,000	42,718,000	42,121,000	40,383,000	39,626,000
Ownership					
Common stock equity	82,478,000	82,434,000	83,125,000	82,396,000	83,645,000
Common stock equity per share	25.27	25.26	25.47	25.24	25.63
Number of common shares outstanding					
Average during year	3,263,469	3,263,469	3,263,469	3,263,469	3,141,953
At end of year	3,263,469	3,263,469	3,263,469	3,263,469	3,263,469

†53 Weeks.

*Restated—see Notes A, C, E and H.

**Working funds consist of current assets less current liabilities, exclusive of deferred tax credits principally applicable to installment sales.

Department Stores

Lit Brothers

Morris Goldstein, President

PENNSYLVANIA:

Philadelphia†
69th Street
Northeast Philadelphia
Oregon Avenue
Lawrence Park
Morrisville
Willow Grove
Plymouth Meeting
Reading

NEW JERSEY:

Atlantic City
Echelon

Maison Blanche

Isidore Newman, II

Chairman of the Board

Robert I. Sonfield, President*

LOUISIANA:

New Orleans†
Carrollton
Gentilly
Airline Highway
West Side
Gentilly Woods
Clearview

Richards

Herbert A. Leeds, President

FLORIDA:

Miami†
163rd Street
Cutler Ridge
Palm Springs
Fort Lauderdale
West Palm Beach
Midway Center
Hollywood

Loveman's

Clifford D. Hoehne, President

ALABAMA:

Birmingham†
Montgomery
Huntsville
Western Hills Mall
West Lake Mall

Lowenstein's

Clifford D. Hoehne,

Chairman of the Board

Louis P. Gorglione, President*

TENNESSEE:

Memphis†
East
South
Raleigh

Hearn's

Gwilynn R. Thomas, President

NEW YORK:

Bronx

R. H. White

Lawrence Moore, President

MASSACHUSETTS:

Worcester
Leominster

Specialty Stores

Franklin Simon

Morton Siegenfeld, President

CONNECTICUT:

Milford
Westport
Stamford

DISTRICT OF COLUMBIA:

Washington

GEORGIA:

Lenox Square
Greenbriar
South De Kalb
Atlanta—Peachtree Center
Northlake Mall
Perimeter Mall
Cumberland Mall

MARYLAND:

Harundale
Mondawmin

Towson

Wheaton
Prince Georges
Montgomery Mall
Security Square
Laurel

MASSACHUSETTS:

Boston
Natick
Braintree
Burlington

MICHIGAN:

Detroit
Northland
Eastland
Westland
Oakland Mall
Southland

MISSOURI:

St. Louis-Crestwood
and Northwest Plaza

NEW JERSEY:

East Orange
Eatontown
Hackensack
Haddonfield
Menlo Park
Paramus
Wayne
Cherry Hill
Livingston
Echelon

NEW YORK:

New York City†
Yonkers
Hicksville
Manhasset
Roosevelt Field
Valley Stream
New Rochelle
Nanuet
Massapequa
Staten Island

NORTH CAROLINA:

Charlotte
South Park

OHIO:

Cleveland
Swifton
Richmond Mall
Parmatown
Tri-County

PENNSYLVANIA:

Philadelphia
Germantown
Willow Grove
Plymouth Meeting
Exton Square
Oxford Valley

TENNESSEE:

Memphis
Southland Mall
Raleigh

VIRGINIA:

Seven Corners

Home Furnishings Stores

W. & J. Sloane

Leonard J. Novogrod, President

CALIFORNIA:

San Francisco†
Los Altos
Walnut Creek
San Jose
San Mateo†
Northgate
Bayshore†

CONNECTICUT:

Milford†
Stamford
Stamford†
Westport†
Hartford
Hamden†

DISTRICT OF COLUMBIA:

Washington†
Washington†

GEORGIA:

Atlanta—Phipps Plaza
—Sandy Springs†
—Briarcliff Village†

MARYLAND:

Bethesda
Georgetown Square†

NEW JERSEY:

Ridgewood†
Union†
Paramus
Flagship†
Red Bank
Short Hills

NEW YORK:

New York City†
Forest Hills†
Garden City
Hempstead†
Manhasset

Riverdale†

White Plains
White Plains†
Hauppauge†
New York City†

PENNSYLVANIA:

Jenkintown

TEXAS:

Houston—Galleria
—Town & Country†

VIRGINIA:

Seven Corners
Shirlington†
Alexandria

Compass Warehouse & Furniture Store

Louis A. Rippner, President
New Orleans, Louisiana

City Stores Company

Operating a total of 149 stores—

38 department stores

68 specialty stores

43 home furnishings stores—

in 18 states and the District of Columbia.

*Chief executive officer

†Main downtown store

‡Clearance Centers

Directors

Gustave G. Amsterdam*

Chairman of Board, Bankers Securities Corp.—and the Company

Murry C. Becker*†

Partner, Becker, Ross & Stone

John R. Bunting, Jr.*†

Chairman of Board and Chief Executive Officer, First Pennsylvania Corporation and The First Pennsylvania Banking & Trust Co.

Bruce H. Greenfield*†

President, Bankers Securities Corp.

George H. Johnson, Jr.

President, Albert M. Greenfield & Co., Inc.

Louis G. Melchior*

Executive Vice President & Treasurer of Company

Isidore Newman, II*

President of Company and Chairman, Maison Blanche Division

Leonard J. Novogrod

Vice President of Company and President, W. & J. Sloane, Inc., Company's subsidiary

Robert I. Sonfield

Vice President of Company and President, Maison Blanche Division

William F. Thompson*†

Senior Vice President, First National Bank of Boston

William C. Warren

Dean Emeritus and Kent Professor of Law, Columbia University School of Law

*Member of Executive Committee.

†Member of Audit Committee.

Officers

Gustave G. Amsterdam

Chairman of the Board

Isidore Newman, II

President

Louis G. Melchior

Executive Vice President and Treasurer

Morris Goldstein

Vice President

Clifford D. Hoehne

Vice President

A. Alfred Landisi

Senior Vice President

Herbert A. Leeds

Vice President

Leonard J. Novogrod

Vice President

Robert I. Sonfield

Vice President

Irving J. Zipin

Secretary and General Counsel

J. Karl Fishbach

Corporate Controller and Assistant Treasurer

Albert A. Assa

Assistant Secretary

City Stores Company

Corporation Office:

500 Fifth Avenue
New York, N. Y. 10036

New York Buying Office:

Mutual Buying Syndicate, Inc.
11 West 42nd Street
New York, N. Y. 10036

Annual Meeting of Stockholders

Wednesday, May 22, 1974
11:30 A.M. (E.D.S.T.)
Biltmore Hotel, Madison Avenue
at 43rd Street
New York, New York
Biltmore Suite

Corporate Data

Transfer Agent

The Chase Manhattan Bank
One Chase Manhattan Plaza
New York, N. Y. 10015

Co-Transfer Agent

The First Pennsylvania Banking
& Trust Company
15th & Chestnut Streets
Philadelphia, Pa. 19101

Registrar

Chemical Bank
20 Pine Street
New York, N. Y. 10015

Counsel

Goodis, Greenfield, Henry,
Shaiman & Levin
1315 Walnut Street
Philadelphia, Pa. 19107

Auditors

S. D. Leidesdorf & Co.
100 East 42nd Street
New York, N. Y. 10017

R.H. WHITE'S

Richards

FRANKLIN  SIMON



COMPASS



LIT BROTHERS

L

Lowenstein's

maison blanche

Hearn's

*L*OVEMAN'S